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C O N F I D E N T I A L SECTION 01 OF 03 BONN 01576

E.O. 11652: GDS

TAGS: PFOR, GW, PL

SUBJECT: LITTLE PROGRESS IN MOST RECENT ROUND OF
FRG-POLISH TALKS

REF: BONN 17950, DECEMBER 13, 1973

SUMMARY: THE FIRST OF THREE COMMISSIONS AGREED UPON AT
THE TIME OF FOREIGN MINISTER OLSZOWSKI'S VISIT -- THE
ONE DEALING WITH THE FRG CREDIT TO POLAND -- HAS NOW MET
AND FAILED TO REACH AGREEMENT. POLISH DEPUTY FOREIGN
MINISTER CZYREK IS PRESENTLY IN BONN FOR TALKS WITH
POLITICAL DIRECTOR VAN WELL ON THE EMIGRATION OF ETHNIC
GERMANS FROM POLAND. GIVEN THE LACK OF PROGRESS ON THE
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CREDIT QUESTION, THE FOREIGN OFFICE DOES NOT EXPECT MUCH

MOVEMENT IN THE DISCUSSIONS WITH CZYREK. A REPRESENTATIVE OF THE FRG LABOR MINISTRY WILL TRAVEL TO WARSAW AROUND FEBRUARY 7 TO DISCUSS THE POSSIBILITY OF FRG PAYMENTS OF PENSIONS TO CERTAIN RESIDENTS OF POLAND. A SOLUTION OF CURRENT FRG-POLISH PROBLEMS MAY WELL DEPEND ON SOME FUNDAMENTAL AND VERY DIFFICULT DECISIONS WHICH THE FEDERAL GOVERNMENT WILL SOON HAVE TO MAKE ON THE USE OF SUBSIDIZED CREDITS AS A POLITICAL TOOL FOR FURTHERING THE GOALS OF OSTPOLITIK. END SUMMARY.

1. DEPUTY POLISH DESK OFFICER, SCHMITZ, TOLD EMBOFF THAT, THROUGHOUT THE JAN 22-24 NEGOTIATIONS WITH A POLISH DELEGATION LED BY ZBIGNIER BIDZINSKI, THE GERMAN SIDE HAD STUCK TO ITS OFFER OF A ONE BILLION DM CREDIT ON THE TERMS OUTLINED IN REFTEL. THE POLES EXPRESSED GREAT DISAPPOINTMENT AND CONTINUED TO PRESS FOR A FIGURE OF THREE BILLION DM. IN THE PROCESS, THEY REVERTED TO ARGUMENTS WHICH THE GERMANS HAD HOPED TO HAVE OVERCOME ONCE AND FOR ALL IN THESE NEGOTIATIONS, I.E. THEY SAID THAT A MAJOR PART OF THE SUM THEY WERE ASKING FOR WAS REQUIRED TO PAY COMPENSATION TO POLISH VICTIMS OF NAZI CONCENTRATION CAMPS AND FORCED LABOR PRACTICES. THEY ALSO USED THE PECULIAR JUSTIFICATION THAT THEY NEEDED EXTRA FUNDS IN ORDER TO SERVICE PAYMENTS ON OTHER CREDITS WHICH THEY INTENDED TO RAISE AT COMMERCIAL RATES IN THE FRG, ONCE THE FRG'S CREDIT GUARANTEE LEGISLATION HAD BEEN REVISED TO PERMIT THE RAISING OF SUCH CREDITS SUBSTANTIALLY BEYOND EXISTING LEVELS.

2. SCHMITZ COMMENTED THAT THE POLISH DELEGATION OBVIOUSLY HAD NO NEGOTIATING LEEWAY. IN RESPONSE TO A QUESTION FROM EMBOFF AS TO WHETHER HE THOUGHT THE FRG WOULD EVENTUALLY BE WILLING TO UP THE ANTE TO 1.5 BILLION DM OR MORE, SCHMITZ SAID THAT FINANCE MINISTER SCHMIDT WAS FOR THE TIME BEING HOLDING THE LINE WITH EXTRAORDINARY TOUGHNESS. HOWEVER, IT SEEMED PRETTY CLEAR THAT THE FRG WOULD INDEED BE PREPARED TO ENLARGE ITS OFFER IF THE RESULTS JUSTIFIED IT, I.E. IF THE POLES WERE TO TAKE A GENEROUS ATTITUDE TOWARD THE EMIGRATION OF ETHNIC GERMANS AND IF THEY WERE WILLING TO

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REGARD THIS CREDIT AS DEFINITIVE, WITHOUT FURTHER REFERENCE TO COMPENSATION PAYMENTS, PAYMENTS OF SOCIAL BENEFITS TO RESIDENTS OF POLAND, ETC.

3. BECAUSE NO MOVEMENT HAD BEEN MADE ON CREDITS, SCHMITZ THOUGHT THE MEETING BETWEEN VAN WELL AND CZYREK WOULD BE LARGELY A HOLDING OPERATION, ALTHOUGH HE DID NOT RULE OUT THE POSSIBILITY THAT THE POLES MIGHT TRY TO

PRIME THE FRG PUMP BY MOVING A BIT FURTHER THAN THEY DID
DURING THE OLSZOWSKI VISIT. AT THAT TIME (SEE REFTTEL),
THEY MADE WHAT THE FRG REGARDED AS A FIRM OFFER TO PER-
MIT THE EMIGRATION OF 50,000 ETHNIC GERMANS DURING 1974,
AND HELD OPEN THE POSSIBILITY OF AN ADDITIONAL 50,000
IN EACH OF THE TWO YEARS 1975 AND 1976, DEPENDING ON HOW
FRG-POLISH RELATIONS (READ, THE TERMS OF CREDIT)
DEVELOPED IN THE MEANTIME. IF THE POLES DID DECIDE TO
BE SOMEWHAT MORE FORTHCOMING, THIS COULD PROBABLY AT THE
PRESENT TIME ONLY TAKE THE FORM OF DEFINING A BIT MORE
PRECISELY THE TERMS UNDER WHICH THEY WOULD PERMIT THE
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ADDITIONAL 100,000 TO EMIGRATE.

4. WITH REGARD TO EMIGRATION, THE GERMANS ARE STILL SERIOUSLY CONCERNED ABOUT THE STATUS OF ILLEGAL EMIGRANTS AND ABOUT POLISH REFUSAL TO PERMIT RELATIVES OF ILLEGAL EMIGRES TO FOLLOW THEM. SCHMITZ SAID THAT, OF THE FIGURES ON GERMAN EMIGRATION FROM POLAND FOR ANY GIVEN MONTH (AS SUPPLIED BY THE GERMAN RED CROSS), NEARLY HALF CAN BE ASSUMED TO HAVE LEFT POLAND ILLEGALLY. THE FRG HOPES TO FIND SOME WAY OF GETTING A POLISH COMMITMENT NOT TO PENALIZE THE RELATIVES OF THESE ILLEGAL EMIGRANTS IN THE FUTURE, BUT THEY RECOGNIZE THAT CONFIDENTIAL

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THIS WILL BE DIFFICULT, AMONG OTHER THINGS BECAUSE SUCH AN UNDERTAKING WOULD CONFLICT WITH THE TERMS OF THE POLISH "INFORMATION" IN WHICH IT WAS STATED THAT ALL EMIGRATION SHOULD TAKE PLACE IN ACCORDANCE WITH POLISH LAWS AND REGULATIONS.

5. SCHMITZ REGARDS THE NEGOTIATIONS ON PENSION PAYMENTS AS OF CONSIDERABLY LESS IMPORTANCE. THE FRG, HAVING ORIGINALLY PROPOSED THIS IDEA AS A WAY OF HELPING SOME ETHNIC GERMANS IN POLAND, NOW FINDS THE POINT OF THE SWORD TURNED AGAINST ITSELF WITH THE POLES ATTEMPTING TO USE THIS AS ONE MORE CHANNEL FOR WRINGING OUT OF THE FRG PAYMENTS WHICH WOULD IN FACT FALL INTO THE BROAD CATEGORY OF "COMPENSATION". THUS, IN SCHMITZ'S VIEW, THE POLES PROBABLY SEE PENSION PAYMENTS AS SOMETHING WHICH COULD BE DROPPED FAIRLY EASILY ONCE AGREEMENT IS REACHED ON A CREDIT WHOSE SIZE AND TERMS ARE SATISFACTORY TO THEM.

6. COMMENT: ALL OF THESE NEGOTIATIONS ARE AIMED AT PAVING THE WAY FOR A GIEREK VISIT, FOR WHICH THE FRG CHANCELLERY HAS TENTATIVELY SET ASIDE THE DATES OF MARCH 20-22. THE POLES HAVE ALREADY MADE KNOWN AT HOME THE FRG'S ONE BILLION DM OFFER, AND SCHMITZ BELIEVES THAT GIEREK WOULD BE EXPOSED TO SIGNIFICANT DOMESTIC POLITICAL CRITICISM SHOULD HE REGARD THIS SUM AS A SUFFICIENT BASIS FOR HIS VISIT TO THE FRG. THIS VIEW IS PROBABLY WIDELY HELD HERE, IN THE CHANCELLERY AS WELL AS THE FOREIGN OFFICE, AND IT APPEARS QUITE LIKELY THAT THE FRG NEGOTIATORS WILL BE PREPARED, PROBABLY AT THE NEXT ROUND, EITHER TO INCREASE THE VOLUME OF THE CREDIT OFFER TO 1.5 BILLION DM OR TO IMPROVE THE TERMS TO THE POINT WHERE A CREDIT OF ONE BILLION DM WOULD BE SATISFACTORY TO THE POLES.

7. THERE IS A POWERFUL POLITICAL MOTIVATION HERE AT THE PRESENT TIME TO GET SOME MOTION BACK INTO THE FIELD OF OSTPOLITIK AND A WIDESPREAD FEELING THAT A FORTHCOMING FRG ATTITUDE ON QUESTIONS OF ECONOMIC COOPERATION (I.E. THE PROVISION OF SUBSIDIZED CREDITS) IS THE BEST, INDEED PERHAPS THE ONLY, WAY TO DO THIS. IT WILL NOT BE CONFIDENTIAL

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AN EASY PROCESS HOWEVER. THERE IS STRONG OPPOSITION IN THE BUNDESTAG TO A PROLIFERATION OF SUBSIDIZED CREDITS TO THE COMMUNIST COUNTRIES OF EASTERN EUROPE, AND THIS OPPOSITION DOUBTLESS HAS AN EVEN STRONGER POLITICAL THAN ECONOMIC MOTIVATION. THE FEELING IS THAT THE FRG IS BEING MADE TO PAY OVER AND OVER AGAIN FOR THE SAME HORSE. IN THE CASE OF POLAND, THIS MEANS THAT THE FRG, HAVING BEEN LED TO BELIEVE THAT ITS ACCEPTANCE OF THE ODER-NEISSE LINE WOULD BE REWARDED BY A GENEROUS EMIGRATION POLICY ON THE PART OF THE POLISH GOVERNMENT, NOW FINDS ITSELF FORCED TO BUDGET LARGE SUMS OF MONEY FOR WHAT IT STILL CAN ONLY HOPE WILL ACCOMPLISH THE SAME PURPOSE.

8. THERE IS ALSO RESISTANCE WITHIN THE GOVERNMENT, PRIMARILY FROM FINANCE MINISTER SCHMIDT, TO A PROLIFERATION OF SUBSIDIZED CREDITS. SCHMIDT IS CONCERNED THAT THE POLISH CREDIT (TAKEN IN CONJUNCTION WITH THE PROSPECT OF ONE BILLION DM TO YUGOSLAVIA UNDER THE FRG'S DEVELOPMENT ASSISTANCE PROGRAM AND THE POSSIBILITY OF SUBSTANTIAL SUBSIDIZED CREDITS TO THE SOVIET UNION) WILL LET LOOSE A FLOOD OF DEMANDS FROM OTHER EASTERN EUROPEAN COUNTRIES (AS WELL AS FURTHER REQUESTS FROM THOSE WHO ARE ALREADY BENEFICIARIES) WHICH WOULD BE VERY HARD TO RESIST AND WOULD IMPOSE A HEAVY BURDEN ON AN ALREADY STRAINED BUDGET.

9. SCHMIDT HAS ALSO BEEN CONCERNED ABOUT THE POSSIBLE EFFECT OF THE POLISH AND OTHER EASTERN CREDITS ON THE FRG'S ECONOMIC STABILIZATION PROGRAM. IT WAS TO AVOID INFLATIONARY IMPACT THAT THE FRG IMPOSED A REQUIREMENT

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THAT THE FIRST TRANCHE OF ITS ONE BILLION DM CREDIT BE
SPENT OUTSIDE THE FRG. WHETHER THIS WILL REMAIN AN
IMPORTANT CONSIDERATION IN THE FACE OF THE THREAT THAT
THE ENERGY SHORTAGE POSES FOR WESTERN EUROPEAN
ECONOMIES IS AT LEAST OPEN TO QUESTION. IF FRG PLANNERS
THINK THEIR EXPORT SURPLUSES ARE LIKELY TO SHRINK
SUBSTANTIALLY AS A RESULT OF THE ENERGY CRISIS, THEY MAY
SEE THIS AS A GOOD REASON FOR PRESSING FORWARD WITH
(SUBSIDIZED) PROGRAMS OF ECONOMIC COOPERATION IN EASTERN
EUROPE. MOREOVER, BOTH ECONOMICS MINISTER FRIDERICH
AND THE CHANCELLOR HAVE DECLARED THAT IT IS
NECESSARY FOR THE FRG TO LESSEN ITS DEPENDENCE ON ONE
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SOURCE OF ENERGY AND TO PROMOTE IMPORTS FROM OTHER
COUNTRIES, I.E., THE USSR. THESE SHIFTING ECONOMIC
CONSIDERATIONS COULD PROVIDE A CONVENIENT JUSTIFICATION

FOR REACHING AGREEMENT WITH POLAND AND EVEN THE USSR.

10. THE WHOLE QUESTION OF A BALANCE BETWEEN ECONOMIC AND POLITICAL CONSIDERATIONS IN THE FURTHER PURSUIT OF EASTERN POLICY WILL, IN ANY EVENT, BE VERY MUCH IN THE FOREFRONT OF FRG PLANNING DURING THE NEXT FEW WEEKS AND MONTHS. SPECIAL MINISTER BAHR WILL BE HEAVILY INVOLVED (ACCORDING TO LAST WEEK'S SPIEGEL HE HAS ALREADY BEEN CHARGED WITH DRAWING UP A STUDY) AND CAN BE EXPECTED FORCEFULLY TO PRESENT THE CASE FOR THE PRIMACY OF THE FRG'S POLITICAL INTERESTS IN EASTERN EUROPE AS HE SEES THEM. AMONG THESE POLITICAL INTERESTS ARE THE DESIRE TO PUT AN END TO A POLICY OF PIN PRICKS AND NARROW-MINDEDNESS TOWARDS BERLIN ON THE PART OF THE USSR AND THE GDR. MORE BROADLY, BAHR AND THE CHANCELLOR WILL HOPE TO REVERSE THE HIGHLY NEGATIVE TREND IN RELATIONS BETWEEN THE TWO GERMAN STATES WHICH HAS DEVELOPED OVER THE LAST FEW MONTHS.
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